

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Two)

Docket No. RM2022-8

CHAIRMAN'S INFORMATION REQUEST NO. 2

(Issued July 29, 2022)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed July 7, 2022;¹ and the Response to CHIR No. 1, filed July 22, 2022;² the Postal Service is requested to provide written responses to the following questions. The responses should be provided as soon as they are developed, but no later than August 5, 2022.

1. In the instant docket, the Postal Service states that a post office's Work Service Credits (WSCs) "depend upon a measure of its revenue [units], not its volume. To measure the relationship between WSCs and volume would thus require studying and measuring the relationship between post offices' revenue and their volumes. There currently are no data on post offices' volumes." Response to CHIR No. 1, question a.-b., n.2. The Bradley Study further explains that "[a]

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Two), July 7, 2022 (Petition); see Michael D. Bradley, *Calculating Variabilities for Postmaster Costs*, July 7, 2022 (Bradley Study).

The referenced Petition is an update to a prior petition submitted by the Postal Service. See Docket No. RM2020-2, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Ten), November 29, 2019 (Docket No. RM2020-2, Petition); see also Docket No. RM2020-2, Michael D. Bradley, *Investigating the Variability of Postmaster Costs*, November 29, 2019 (Docket No. RM2020-2, Bradley Study); see also Docket No. RM2020-2, Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 1, January 2, 2020 (Docket No. RM2020-2, Response to CHIR No. 1).

² Responses of the United States Postal Service to Questions 1-5 of Chairman's Information Request No. 1, July 22, 2022 (Response to CHIR No. 1).

revenue unit is the average amount of revenue per fiscal year from postage prices and fees for 1,000 pieces of originating mail and Special Service transactions.” Bradley Study at 33, n.22. Previously, in Docket No. R84-1, the Postal Service provided a figure that tied “Mail Volume” to “Revenue Units.”³

- a. Please confirm that post offices’ mail volumes provide input in calculating post offices’ revenue per fiscal year.
 - b. If question 1.a. is confirmed, please explain why post offices’ volume data are not collected when estimating post offices’ revenues per fiscal year.
 - c. If question 1.a. is not confirmed, please explain how revenues per fiscal year are calculated.
2. In Docket No. RM2020-2, Bradley Study, the Postal Service stated that “[p]ost offices with WSC levels that are outside the cutoff values can be fairly designated as misclassified. Their WSC level is actually associated with a different EAS grade and the misalignment could be created by a data error.” Docket No. RM2020-2, Bradley Study at 28. In the current docket, the Bradley Study further states that “[t]o identify out-of-bounds offices in [Proposal Ten], the Postal Service established boundaries that lie[d] outside the Zone of Tolerance limits for each EAS grade [, and the Proposal Ten] boundaries are again applied here [in Proposal Two].” Bradley Study at 18. Please describe in detail the Postal Service’s methodology for establishing the boundaries for identifying out-of-bounds postal offices.
 3. Please refer to the Bradley Study that provides a table identifying Out-of-Bounds post offices. See Bradley Study at 19, Table 4. Please also refer to Library Reference USPS-RM2022-8/1, filed July 7, 2022, folder “Directory 2 - Constructing the 2022 Analysis Data Set,” Excel file “Feb 22 WSC Data.xlsx

³ See Docket No. R84-1, Direct Testimony of Nai-Chi Wang on Behalf of the United States Postal Service, November 10, 1983, at 10, Figure A.

(February 2022 WSC Spreadsheet),” cell B7797 (EAS-22 Misaligned WSC Post Office).

- a. Please confirm that in the Proposal Two variability analysis, the EAS-22 Misaligned WSC Post Office has a grade of EAS-22 and a WSC level of 22,848. If not confirmed, please provide the WSC level and EAS grade for the identified post office.
- b. Please confirm that the lower Zone of Tolerance limit for an EAS-22 grade post office is 23,401 WSCs and the proposed cutoff assigned by the Postal Service is 20,000. If not confirmed, please provide the lower Zone of Tolerance limit and proposed cutoff.
- c. Please confirm that the EAS-22 Misaligned WSC Post Office is not identified as an out-of-bounds post office in Table 4 in the “22 Lower” row.
 - i. If confirmed, please explain why this post office cannot be designated as misclassified.
 - ii. If not confirmed, please explain the presence of a post office with a grade of EAS-22 and a WSC level of 18,607 in the February 2022 WSC Spreadsheet.
- d. Please identify all instances of post offices that fall in between the Zone of Tolerance (ZOT) limits and the cutoffs proposed by the Postal Service.
- e. For these instances identified in question 3.d., please explain why the Postal Service did not designate any offices that fall below the lower limit on the ZOT or above the upper limit on the ZOT as misclassified.
- f. For these instances identified in question 3.d., please explain how the inclusion of such observations in the logit regressions affects the results and conclusions in the Bradley Study.

4. In Proposal Ten, the Postal Service stated that “when the Postmaster variabilities are calculated, the EAS grades indicated by the estimated logit model are used in the calculation. Thus, the small number of offices that may appear misclassified in the raw WSC data are appropriately classified for the variability calculation.” Docket No. RM2020-2, Response to CHIR No. 1, question 2.d.
 - a. Please confirm that in Proposal Two, the Postal Service continues to exclude the small number of offices that appear misclassified (out-of-bounds) from the logit regressions, but it assigns them to an EAS grade based on the results of the regressions and includes them as such in the variability calculation. If not confirmed, please explain.
 - b. If question 4.a. is confirmed, please explain why it is appropriate to use the WSC data from out-of-bounds post offices in the variability calculations. If not confirmed, please explain the role, if any, of the data from out-of-bounds post offices in the estimation of Postmaster variabilities in Proposal Two.
 - c. If question 4.a. is confirmed, please confirm that Proposal Two variabilities could be calculated without using the data from the out-of-bounds post offices.
 - d. If question 4.c. is confirmed, please calculate variabilities that exclude data from out-of-bounds post offices. If not confirmed, please explain why variabilities could not be calculated without using the data from the out-of-bounds post offices

By the Chairman.

Michael Kubayanda